



Testimony – Senate Judiciary Committee

Senate Bill 269

Sponsor: Sen. Tonya Schuitmaker (R-Lawton)

Good afternoon. Thank you for giving me the opportunity to speak on this bill today. My name is Cheryl DeBoer and I am the President and CEO of First Community Federal Credit Union. First Community is a \$650 million dollar credit union and we have offices in Michigan, Wisconsin and Illinois with our main office in the Kalamazoo area.

As you are well aware, we are experiencing an economy that is taking its toll on businesses and individuals. This bill could be a small change that would help us both. Over 10 years ago the small claims court threshold was increased from \$1,750 to \$3,000. Today we are asking that the amount be increased from \$3,000 to \$10,000.

Over the past two years, our credit union has pursued over \$251,500.85 in claims via the small claims process. However, over the same time period, we have also spent over \$55,548.22 in legal fees pursuing claims in district court for amounts over \$3000 but under \$10,000. Additionally, we have waived \$4,975.62 of outstanding balances owed to us in favor of adjudicating the issue in small claims court. As a not-for-profit member-owned cooperative, our goals of promoting thrift and providing access to affordable credit are directly and adversely impacted by these fees and losses.

My staff reports that the small claims process is much more accessible for our members. The setting is less formal and the procedural requirements less stringent. The small claims process, led by a competent judge or magistrate, allows the parties to speak more freely to come to a mutually agreeable solution. Very frequently, the member who has refused all attempts at contact with us will make a very acceptable payment arrangement once summoned to court.

Just last week, one of my staff members appeared in small claims court to collect a small loan balance from a member we had been unable to contact previously. The member indicated he was facing significant medical bills and possible foreclosure, and had not been willing to answer his phone when we called to collect because he knew he couldn't pay us in full. We were able to have judgment entered with an order for installment payments at a monthly amount the member believed he could make and we were willing to accept. As in this case, these cases rarely involve complicated issues of law or facts that are truly disputed, and having both parties incur additional legal fees does not advance any recognizable goal.

In addition to the benefit to creditors and debtors, an increase in this threshold would be beneficial to our local communities as well. Use of small claims court reduces the dockets of our very busy district courts, allowing other, more complex issues to be adjudicated there.

For these reasons, I urge the legislature to increase Michigan's small claims threshold. Thank you for the opportunity to speak with you today.